

State of Iowa - Return on Investment Program / IT Project Evaluation

SECTION 1: PROPOSAL

Tracking Number (For Project Office Use)

034

Project Name: Internet Services Date: 10/01/00

Agency Point of Contact for Project: Leon Schwartz

Agency Point of Contact Phone Number / E-mail:

Phone: 281-0060 Email: leon.schwartz@idop.state.ia.us

Executive Sponsor (Agency Director or Designee) Signature: _____

Is this project necessary for compliance with a Federal standard, initiative, or statute? (If "Yes," cite specific requirement, attach copy of requirement, and explain in Proposal Summary) ☐ Yes ☒ No

Is this project required by State statute? (If "Yes," explain in Proposal Summary) ☒ Yes ☐ No

Does this project meet a health, safety or security requirement? (If "Yes," explain in Proposal Summary) ☐ Yes ☒ No

Is this project necessary for compliance with an enterprise technology standard? (If "Yes," explain in Proposal Summary) ☐ Yes ☒ No

Does this project contribute to meeting a strategic goal of government? (If "Yes," explain in Proposal Summary) ☒ Yes ☐ No

Is this a "research and development" project? (If "Yes," explain in Proposal Summary) ☐ Yes ☒ No

PROPOSAL SUMMARY:

1. Description - This project contributes to meeting Accountable Government Goal 5, Strategy 5, which states:

"Manage the IPERS retirement system to ensure financial soundness, and responsiveness to future needs of public retirees and taxpayers."

Pre-Project

One of IPERS' goals is to provide effective and efficient services to members and employers. Over the next ten years IPERS will experience a dramatic increase in the number of retirees due to the aging of the baby boomers, thus a large increase in workload for staff. IPERS realizes that in order to meet this increased demand it will need to offer and provide for services in a different manner. Over the past couple of years, IPERS has experienced success by offering information via the Internet such as the Member Handbook, investment information, employer information, change-of-address forms and other general information. Previously mandated state legislation has directed departments to make services available via the Internet by 2003. IPERS plans to meet that requirement by providing Internet services to both employers and members to include online transactions for members and employers.

Post-project Description

Due to the vast amount of information and services that can be made available and the effort required to make it happen, it is necessary to approach Internet services in phases. This project includes the planning and design of Internet services for employers. IPERS currently has 2400 employers who report wage and demographic information for members. Over 1900 of those employers are submitting information in paper format that must be manually processed by IPERS staff. This project would provide employers with the capability to utilize the Internet to submit information, access employee accounts and make appropriate changes as necessary.

2. Benefits

Allowing employers the opportunity of maintaining their accounts online and reporting electronically to IPERS would save significant staff time in processing paper documents. It would also improve data accuracy and timeliness of reports. Inaccurate reporting to IRS can result in fines that can run in the millions of dollars. Electronic reporting would maximize efficiency, minimize the risk of inaccurate or late reporting, and make reporting for employers easier. This self-service concept would also result in employers having ownership of and responsibility for their own information. Employers would also benefit because they would readily have access to information and would be able to respond to member questions more effectively and efficiently. Employers would also have improved and streamlined wage reporting processes.

SECTION 2: PROJECT PLAN

1. Agency Information

Project Executive Sponsor Responsibilities: Leon Schwartz, Chief Operations Officer

Organization Skills: This project requires collaboration among staff who possess a number of skills including business knowledge and information technology. Business knowledge requires a working knowledge of employers, employer interaction with IPERS, laws, rules and policies that relate to IPERS and effective procedures for implementation. These skills are currently available among IPERS staff responsible for business activities related to employer relations. This includes staff from Retirement Benefits, Legal and Communication and Administration. This project also requires information technology skills in the area of Internet, web development, security, electronic fund transfer, application development and data. IPERS has internal staff who are trained to provide most of the skills but will need technical expertise in the overall technical design of the web site and the connection to the AS400, related hardware/software recommendation and acquisition, installation of hardware/software and planning and implementation of overall security.

2. Project Information

Mission, Goals, Objectives: Improving and updating computer technology is an important strategic goal related to our mission to administer a responsible retirement system for the exclusive benefit of public employee members and their beneficiaries.

A. **Expectations:** It is expected that this project will allow employers to submit wage and demographic information for IPERS members electronically. Employers will have the

capability to access all records for their employees and determine that IPERS has information such as name, address, social security number, beneficiaries, wages, etc.

- B. **Measures**: It is expected that error rates will be reduced, cycle times will be improved and employer satisfaction will be increased. If successful, IPERS will have accurate member information that will reduce the volume of returned mail due to incorrect or missing addresses, correct wage information to provide accurate payments and accurate information for beneficiaries. The percent of employers who are satisfied with their IPERS services should improve.
- C. **Environment**: IPERS staff will mainly be responsible for developing the Internet site. Employers will be contacted to provide information on their electronic capabilities and will take part in training sessions designed to assist them with the transition. There are many other retirement systems currently investigating and implementing web sites. IPERS already has contacts in place to remain current with the experiences and advice of these systems. IPERS does share employers as customers with other state agencies and will contact those agencies to determine if there are cooperative opportunities available. Since education members comprise over 50 percent of the IPERS's membership, the most evident opportunity lies with the Department of Education and reaching all school districts within the state.
- D. **Project Management and Risk Mitigation**: IPERS has an internal process established for managing IT projects. A steering committee that consists of management staff as well as business line staff serves as the focal point for making decisions that affect projects. Project Managers are assigned and are responsible for overseeing the day to day activities of the project, insuring that issues are resolved and reporting project status. IT project budgets are established outside of normal funding so they can be properly managed and reviewed by the Steering Committee.
- E. **Security / Data Integrity / Data Accuracy / Information Privacy**: Data integrity and security is of highest concern for IPERS. Introducing Internet access to data will require a great deal of planning and implementation of strict security measures. IPERS realizes the risks associated with Internet access and plans to utilize outside consulting to assist in planning, design and implementation of security for this project. IPERS also has a team of staff dedicated to maintaining data integrity so this team will play a large role in addressing this issue.

3. **Current Technology Environment (Describe the following):**

A. **Software (Client Side / Server Side / Midrange / Mainframe)**

- Application software: Microsoft Office, MS Project, Cool:Biz, Cool:2E, OV/400 (converting to Lotus Notes)
- Operating system software: OS/400 & Windows NT
- Interfaces to other systems: All software interfaces are internal with the exception of email and file transfers.

B. **Hardware (Client Side / Server Side / Mid-range / Mainframe):**

- AS/400 Model 720 including internal Windows NT servers, 3995 Optical Drive, stand alone Windows NT server.
- All IBM compatible PCs running Windows NT.

4. Proposed Environment (Describe the following):

At this time IPERS does not have a specific environment in mind, establishment of the Internet site and the environment it runs in is part of the project. IPERS does have a commitment to remain on the AS/400 platform and has an established connection to the enterprise network so solutions will be considered within these parameters. IPERS must also carefully consider the environment of its members and employers to insure that the system implemented will meet their needs.

Data Elements: At this time it is not anticipated that there will be a need for any new databases, the goal is to populate database files that already exist. If it becomes apparent that new data elements are needed they would be created on the AS/400 using DB2/400.

Project Schedule:

July 01 - September 01: Planning for hardware/software, applications, security, etc.

September 01 - December 01: Design

January 02 - March 02: Establish Technology Environment

January 02 - June 02: Application Development, Testing, and Pilot

SECTION 3: Return On Investment (ROI) Financial Analysis

Project Budget:

Provide the estimated project cost by expense category.

Personnel.....	\$ 96,239	_____
Software.....	\$ 100,000	_____
Hardware.....	\$ 200,000	_____
Training.....	\$ 2,000	_____
Facilities.....	\$ 5,000	_____
Professional Services.....	\$ 368,000	_____
Supplies.....	\$ 1,000	_____
Other (Specify).....	\$	_____
Total.....	\$ 772,239	_____

Project Funding:

Provide the estimated project cost by funding source.

State Funds.....	\$	_____	_____	% of total cost
Federal Funds.....	\$	_____	_____	% of total cost
Local Gov. Funds.....	\$	_____	_____	% of total cost
Private Funds.....	\$	_____	_____	% of total cost
Other Funds (Specify)*.....	\$ 772,239	_____	100	% of total cost
Total Cost:	\$	_____	_____	% of total cost

*IPERS Trust Fund

Provide the estimated project cost by fiscal year.

How much of the cost would be incurred by your agency
from normal operating budgets (staff, equipment, etc.)?\$_____ 0%

How much of the cost would be paid by requested State IT project funds? \$_____ 0%

Identify, list, and quantify all annual maintenance expenses (State Share) related to the project.

There would not be any costs associated with state funds. Maintenance costs normally are around %20 of total hardware/software costs and would be paid from the IPERS Trust Fund.

Identify, list, and quantify any other future expenses (State Share) related to the project.

None known.

ROI Financial Worksheet

Internet Services

Annual Pre-Project Cost - How You Perform The Function(s) Now

FTE Cost (salary plus benefits):	\$108,647
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	\$6,000
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	0
A. Total Annual Pre-Project Cost:	\$114,647

Annual Post-Project Cost – How You Propose to Perform the Function(s)

FTE Cost:	0
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	0
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	0
B. Total Annual Post-Project Cost:	0
State Government Benefit (= A-B):	\$114,647

Annual Benefit Summary

State Government Benefit:	\$114,647
Citizen Benefit (including quantifiable “hidden taxes”):	\$334,040
Opportunity Value and Risk/Loss Avoidance Benefit:	0
C. Total Annual Project Benefit:	\$448,687
D. Total Annual Project Cost:	\$225,725
Benefit / Cost Ratio (C / D):	<u>1.98</u>
ROI (C – D / Requested State IT Project Funds):	28%

☒ Benefits Not Cost Related or Quantifiable (including non-quantifiable “hidden taxes”)

ROI Financial Worksheet Directions (Attach Written Detail as Requested):

Annual Pre-Project Cost -- IPERS has over 2300 employers who submit member wages via a manual process. This requires IPERS staff to manually enter and verify those wages into the proper accounts, IPERS staff also spend correcting errors that are directly related to this entry. There are a number of staff involved in this process, salary costs were based on their average annual salary times the percent of time they spend in these tasks. It is estimated that salary costs for data entry totals to \$62,121, temporary staff \$1,200, computer operator time \$1,050 and error correction time \$44,276. Support costs were based on \$2,000 for each of three staff, a total of \$10,000.

Annual Post-Project Cost -- Implementation of this process via the Internet would eliminate the need for IPERS staff to perform data entry and error correction. These tasks would be done directly by the employers.

Citizen Benefit This project will result in a cost savings to employers which directly translates into a savings for citizens. IPERS has 2,386 employers comprised of state, county, city and school staff throughout the state. Each of these employers have a minimum of one staff person who spends time each quarter preparing wage reports to be sent to IPERS. These employers also incur charges related to computer processing time, supplies and mailing.

IPERS estimates that each employer spends a minimum of 8 hrs at an average salary of \$15/hour per quarter preparing wage reports. ($\$15 \times 8 \times 2386 \times 4 \text{ qtrs} = \$1,145,280$) IPERS estimates that employers will save at least 25% of this total ($\$1,145,280 \times 25\% = \$286,320$) with the implementation of this project. It is also estimated that each employer spends an average of \$5 each quarter for supplies, mailing costs and computer charges. This total ($\$5 \times 2386 \times 4 \text{ qtrs} = \$47,720$) The estimated total savings is $\$286,320 + \$47,720 = \$334,040$.

Total Annual Project Cost --

Hardware Costs:

Hardware	\$200,000
Training	\$ 2,000
Facilities.....	\$ 5,000
Consulting.....	\$184,000
Supplies.....	\$ 1,000

Software Costs:

Personnel	\$ 96,239
Software	\$100,000
Consulting.....	\$184,000

IPERS used the recommend calculation for hardware costs, divide the hardware and associated costs by three (3), the useful life. ($\$392,000/3 = \$130,666$) IPERS used the recommended calculation for software costs, divide the software and associated costs by four (4) ($\$380,239/4$), the useful life.

Benefits Not Cost Related or Quantifiable

Rating 10: IPERS serves 300,000 members who, for the most part, are Iowa citizens. This project has several benefits that directly impact them. When a member retires, one of the factors their benefit is based on is the wages they earned. Their IPERS benefits serves as a major source of income for these retirees and it is extremely important that they be paid at the appropriate rate. It IPERS does not have the correct wage information to calculate the benefit, members source of income would be affected.

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- Rating 9: This project would result in improved data quality because the employers would be directly entering data and it would not moved from one person to the next using various forms of media.
- Rating 10: This project is the first step in implementing internet services for IPERS programs and it implements only one of many processes. Cost benefits can not be fully realized until all member/employer services are available via the internet. Because this project is only the first step in moving toward offering services via the Internet, up front start-up costs must be incurred which distorts the ROI. These startup costs are necessary in order for IPERS to move forward in implementing further Internet services.
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